



COUNTY OF LOS ANGELES DEPARTMENT OF CONSUMER AFFAIRS

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DIRECTOR

August 2, 2002

To: SUPERVISOR ZEV YAROSLAVSKY, Chairman
SUPERVISOR GLORIA MOLINA
SUPERVISOR YVONNE BRATHWAITE BURKE
SUPERVISOR DON KNABE
SUPERVISOR MICHAEL D. ANTONOVICH

From: Pastor Herrera, Jr.
Director

Subject: **ADELPHIA COMMUNICATIONS CORPORATION - STATUS REPORT**

As mentioned in our two prior updates on this matter, Adelphia Communications Corp. (Adelphia) is the parent corporation which possesses 13 cable television franchises in the unincorporated areas of Los Angeles County. In our memo dated June 26, 2002, we alerted your Board to this corporation's Chapter 11 Bankruptcy filing on June 25, 2002.

On July 22, 2002, Adelphia's new CEO, Erland E. Kailbourne and Randall Fisher, Vice President, Legal Affairs for Adelphia spoke to a group of local franchising authorities. A representative of my staff and County Counsel attended this meeting on behalf of Los Angeles County.

At this meeting Mr. Kailbourne assured the audience that Adelphia will continue to pay their franchise fees to all local franchising authorities. Safety concerns were raised related to areas where Adelphia has construction and maintenance of their system in progress. Mr. Kailbourne stated that hazards or violations resulting from on-going rebuilds or construction will be fixed. He also said that systems in the process of being rebuilt/upgraded will continue in an order not yet determined by Adelphia.

Mr. Kailbourne stressed that Adelphia's subscribers will not be adversely impacted by the bankruptcy and that letters will be sent out soon assuring them that there will be no interruption in their cable service. To date, we have not received any increase in our complaint volume since the filing of the bankruptcy even though Adelphia has increased its rates in most of their franchise areas. Rate increases can be largely attributed to additional programming costs and system upgrades. As always we will continue to keep you apprised of these changes.

Subsequent to this meeting, on July 24, 2002, John Rigas, Adelphia's founder, his sons Timothy and Michael Rigas, James Brown, former VP of Finance, and Michael C. Mulcahey, former Assistant Treasurer, were arrested and charged with conspiracy, securities fraud, wire fraud and bank fraud. However, since these individuals had already resigned their positions with the company, these events do not affect the day to day operations of Adelphia.

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We are currently examining what obligations Adelphia may have to the County that they are not meeting. One issue that has recently arisen is our receipt of a notice of the cancellation for a bond in the amount of \$50,000 effective August 22, 2002. We are requesting that Adelphia immediately replace this bond or bring it current. Additionally, Adelphia owes the County approximately \$61,000 for the underpayment of franchise fees and applicable penalties for between 1995 and 1999 for some of their franchise areas. This was revealed in a recent financial audit conducted on behalf of the County.

We will continue to monitor this situation closely and will keep you informed of further developments.

Should you have any questions, please have your staff contact me at 213-974-9750 or Fern Taylor, Acting Chief, Telecommunications Franchising of my staff at 213-974-2711.

PH:FT:RS

cc: Chief Deputy, Each District
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